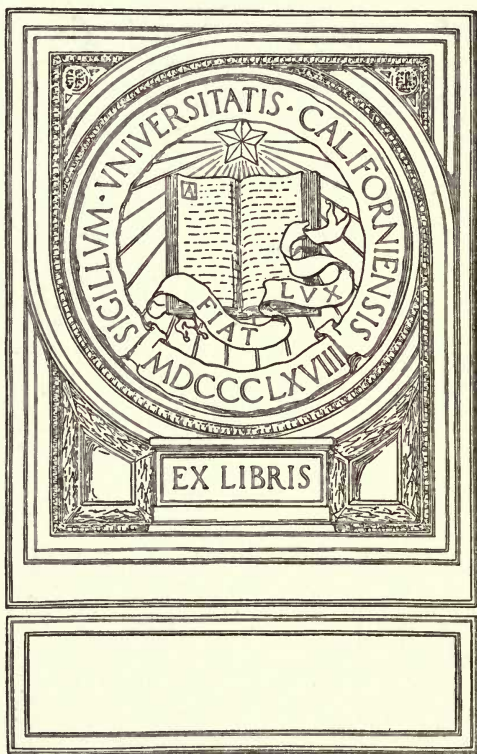


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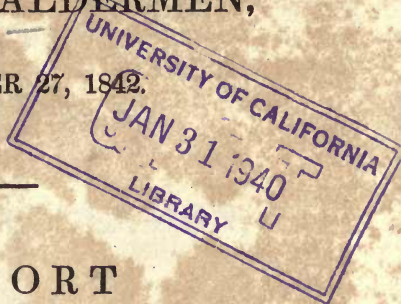


New York (City) Croton aqueduct board

DOCUMENT No. 58.

BOARD OF ALDERMEN,

DECEMBER 27, 1842.



REPORT

OF THE

CROTON AQUEDUCT BOARD,

IN RELATION TO

THE WAYS AND MEANS OF PAYING THE

CROTON WATER DEBT.

PRINTED BY

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BOARD OF ALDERMEN,

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REPORT OF THE CROTON AQUEDUCT BOARD,
*In answer to the Resolutions of the Boards of Aldermen
and Assistant Aldermen, in relation to the Ways and
Means of paying the Croton Water Debt.*

Laid on the table, and double the usual number ordered to be printed.

JOS. R. TAYLOR, CLERK.

The Croton Aqueduct Board of the city of New-York, to whom were referred the resolutions introduced into the Board of Aldermen, and also the resolutions introduced into the Board of Assistant Aldermen, in respect to Water taxes by said resolutions proposed to be levied upon buildings and

the rents of buildings, and upon merchandize and all other personal property, and upon the sales of all goods, ware s and merchandize sold within the said city, and upon co m-missions arising from the negotiation and sale of foreign exchange, and upon the cost of erection of all houses and the building of ships or vessels, and upon all manufacturin g and mechanical productions, and upon the salaries, fees, or perquisites of professions (when amounting to seven hundred dollars), copies of which resolutions are hereto subjoined, beg leave respectfully to

REPORT :

That they have examined these resolutions, with a due sense of the magnitude of the interests involved, presenting for consideration the very important question, from what resources, and within what time, the large debt of twelve and a half millions incurred in constructing the Croton Aque-duct is to be paid,—what portion of those resources are properly applicable to the principal, and what portion to the interest of the debt,—what part of the burthen must be borne by taxation,—and upon what particular interests or species of property, or branches of business, and in what proportions, the burthen can best be laid. It need hardly be said, that in the proper adjustment of such a question, the lasting welfare of every person having any stake in the property or business of the city is deeply concerned.

The cost of the Aqueduct already incurred, as ascertained from the Comptroller's books, including every expense attending the introduction of the Croton Water into the city, is \$11,896,775, including in that amount the sum of \$1,580,290, which has been paid from the loans negotiated, for interest accruing up to the time of putting the work in

operation, and also including \$647,157, being the discount paid on the sale of the stocks. The further sum of \$200,000 will be required to complete the laying of the pipes through the streets of the city; and the additional sum of \$500,000 is supposed to be necessary to finish the bridge over the Harlaem River, now temporarily crossed with iron pipes.

Under successive laws of the Legislature, the city has been authorized to issue stocks for twelve millions of dollars, to defray the cost of the Aqueduct, under which permanent loans have been made as follows :

At 7 per cent. interest, \$120,305, redeemable May 1, 1847.				
Do.	do.	90,357	do.	Feb. 1, 1852.
Do.	do.	799,850	do.	Aug. 1, 1852.
Do.	do.	989,488	do.	May 1, 1857.
At 5 per cent. interest. 3,000,000				
Do.	do.	2,500,000	do.	Jan. 1, 1860.
Do.	do.	3,000,000	do.	Nov. 1, 1870.
Do.	do.	190,000	do.	Jan. 1, 1880.
Do.	do.	120,500	do.	Nov. 1, 1880.

\$10,810,500

There is yet to be issued, and probably
at 5 per cent.....\$1,189,500

\$12,000,000

On account of this balance of \$1,189,500, the city treasury has temporarily advanced \$1,086,275, which has been expended for the work; so that the sum now remaining unexpended of the twelve millions, and applicable to the exten-

sion of the pipes and completion of the Harlaem River bridge, is but.....\$103,225

The amount required for those objects, as above stated, will be.....\$700,000

Leaving to be provided, in addition to the twelve millions.....\$596,775

It may therefore be estimated in round numbers that the permanent Water Debt will be twelve and a half millions.

By the terms of the loans under which these stocks have been issued, they are redeemable "*on or after*" the times above indicated—implying the mutual right of the creditor to demand, and of the city to redeem, the stock, either on or after those times. In the present examination, the Croton Aqueduct Board have therefore proceeded on the basis, that the debt is to be extinguished by actual payment as it shall fall due. The character of the city, and the due preservation of its fiscal credit, would at all times forbid the idea of postponing the payment of any of its debt after it should become payable. In the present state of American credits, and amid the too frequent examples of neglected or violated public faith, by which the character of our country is degraded, it is peculiarly the duty of this commercial city to set the example of preparing at once, and of declaring to the world that it is preparing, to pay the debt promptly and punctually as soon as it shall become redeemable. The public credit is the most precious portion of the public property, and it can only be preserved by preparing in season to perform our public engagements.

The resources applicable to the principal of the debt are embraced in the Sinking Fund, which was established by the

law of the State, of June, 1812, and by several subsequent enactments of the Common Council, under which certain specified revenues, arising from markets, quit-rents, coach and pawn-brokers' licenses, and other productive items, and also the proceeds of a large amount of real estate, together with the revenue to be derived from the Croton Water, are especially set apart to accumulate as a fund for the redemption of the debt. These monies are invested, as received, in purchasing the city stocks, and no portion of them has ever been applied to the payment of interest on the city debt. On the contrary, by the terms of the laws by which the fund is established, it annually receives from the general revenues of the city the interest on the stocks so purchased. By this process the Fund has steadily accumulated, and has now reached an amount equal, within a small fraction, to the whole of the City Debt, not otherwise provided for, exclusive of that incurred for the Croton Aqueduct, so that the fund may now be regarded as exclusively applicable to the extinction of the twelve and a half millions under examination. The annual receipts of this Fund are estimated, in the last Annual Report of the City Comptroller, at \$230,305. It is believed that, excluding the proceeds of sales of real estate, the annual amount may be assumed to be \$180,000.

By the terms of the law establishing the Fund, the stocks purchased are to be held by the Commissioners of the Sinking Fund until the time fixed for their final redemption, and the interest thereon is to be raised meanwhile by taxation. Considering, however, the amount of stock which has been issued for the Water Loans, and the impolicy and hazard of leaving outstanding and uncanceled, large amounts of stock which are virtually redeemed, the Croton Aqueduct Board would suggest the expediency of altering the law so far

as to direct the stocks purchased for the Sinking Fund to be cancelled, whenever and as often as the amount hereafter accumulated shall reach the sum of one million of dollars. In that case the amount to be collected in taxes from our citizens, in any single year, to be applied directly to the Sinking Fund, on account of the Water Debt, could never exceed fifty thousand dollars, being the interest, on the million, while the burthen of annual taxation, whether direct or indirect, would be relieved to the amount of fifty thousand dollars, whenever and as often as a million should be cancelled. The great object, then, to be kept steadily in view, should be to expedite as rapidly as practicable the operations of the Sinking Fund, and for that purpose to render available all the resources fairly within our reach.

Among these resources, stands most prominent the large amount of real estate now held by the city, and not required for its public uses. It is true that a portion of this property is productive, but to an amount far less than the interest of the sum which it will command in cash. The rents now amount to only \$27,613 24, and even that amount is liable to depredation from the officers employed to collect it, as experience has unhappily shown. The principal, consisting mainly of valuable houses and lots in the vicinity of Chatham and Pearl streets, with some available property at Brooklyn, was valued in the last annual report of the City Comptroller at \$1,031,700. The present Comptroller, in a recent communication to this Board, values it even in the present depressed state of prices at \$648,700. In addition to this sum, there are the quit-rents reserved from water lots heretofore sold by the city, and now yielding a revenue of five per cent. upon a capital of \$342,000.

It is quite clear, that if this were the case of an individual

proprietor, his interest would be promoted by selling these items of property, and applying the amount, as far as it would go, to the extinction of the debt ; but still more evidently would such a course be judicious, where a government like that of this city is concerned. There can be no good reason, why the city government should manage any real estate whatever, not wanted for its legitimate public uses. The sale of all its superfluous property would materially simplify the public business and accounts, diminish a patronage already too large, lessen the number of useless officers, and save our citizens and the Treasury from the dangers and demoralizing effects of embezzlement.

Another large and important branch of the public property, which would seem under the circumstances to be fairly applicable to the Public Debt, are the wharves and piers. It may have been, and probably was, expedient for the public treasury in the first instance to advance the cost of constructing these conveniences for our foreign and domestic commerce ; but it can hardly be claimed that the city should continue to maintain them, when it is notorious that they can be better managed in the hands of individual owners. The sums disbursed by the City Treasury upon these structures, during the sixteen years ending the 1st of January last, amount to \$1,121,472, whereas the total receipts from this source during the same period, amount only to \$1,050,715. The revenues are constantly absorbed in the cost of repairs and of new wharves rendered necessary by the increase of our commerce. It is believed that this property could now be sold for at least a million of dollars. The application of such a sum would very materially expedite the operations of the Sinking Fund, and hasten the extinguishment of the Public Debt. The opinion has been expressed in some quarters, that instead of selling these wharves and

piers, a wharfrage duty should be exacted from all merchandize, packages, and commodities landed, and thus render this branch of property tributary to the treasury. The objection to this measure will be obvious in the burthens it would impose upon our trade, already struggling with many discouragements ; in the difficulty which might be found in obtaining from the Legislature the necessary permission to levy such a transit duty on the productions coming as well from our own interior as elsewhere ; and in the well grounded apprehension, that the nett revenues to be realized by the Treasury would very inadequately compensate the city for the risk of collection, and the burthen and inconvenience of withholding the whole of the principal from the Sinking Fund.

A remaining resource, though not immediately available, but which may eventually be applied to a large amount to the reduction of the debt, is found in the great body of vacant lands belonging to the city, comprising several thousand building lots, extending at intervals from 23d street to 93d street, some of which are nearly ready to be brought into market for building purposes, and the residue will probably be required for that object by the time that the greater portion of the debt will arrive at maturity. Opinions have indeed been expressed that the proceeds of these lands alone, if retained until the last portion of the debt is payable, would defray the whole cost of the Aqueduct ; but such an estimate can of course find no place in a financial calculation, except as a reason for suggesting, that as the value of these lands is mostly prospective, and could not be realized in the present depression of prices, they may be prudently retained until the future developement of our trade, and consequent extension of the city, shall render them more available. The late Comptroller, in his last Annual Report,

estimates, at present prices, the portion of these lands north of 42d street, at \$1,268,000, and the portion between 42d street and 23d street at \$928,600. It will undoubtedly be expedient to sell off the latter portion and turn it into money, as soon as the approach of the compact part of the city shall enable the Treasury to realize reasonable prices.

In the mean time, the Croton Aqueduct Board, considering the heavy taxes which must become necessary to pay the interest on the Water Debt, feel it incumbent on them earnestly to urge upon the Common Council the speedy sale of those portions of the real estate of the city above recommended; and they would suggest, that for the purpose of hastening that desirable step, the sale should be committed to a special and responsible department of the City Government, to be specifically charged with that duty, and instructed to prosecute the business with the same discretion, and efficiency, that an individual proprietor would exhibit in the management of his private affairs. If this shall be done with promptness and fidelity, there can be no doubt but that some three or four millions of dollars may be speedily realized, and applied in diminution of the Water Debt.

The interest annually payable on the Water Debt will amount to \$665,000, and that sum must be raised by taxation, direct or indirect; and it can only be reduced by applying from time to time the avails of the Sinking Fund, to the extinguishment of the principal and consequent diminution of the interest. The taxable property in the city, real and personal, is assessed for the present year 1842, at 176 millions, real, and 61 millions, personal estate,—in all 237 millions,—and on which a tax will consequently be required of 28 cents on the 100 dollars.

The precise time when the Croton Aqueduct may be deemed to have been completed, so that the interest should begin to accrue, and from which time the monies necessary to pay it should cease to be taken from the principal of the monies borrowed, has not yet been accurately determined. Probably the 1st of October, in the present year, 1842, may have been taken as the starting point, inasmuch as the Board of Supervisors have provided for raising by tax, for the interest of the current year, the sum only of \$475,566, or 20 cents on the 100 dollars, being a portion only of the sum requisite for a full year, but sufficing to defray the interest up to the first of August next.

It is at this point that questions have been raised, whether the rents to be received for the use of the Croton Water cannot be applied to the interest, or whether they must be retained and added to the Sinking Fund, for the purpose of extinguishing the principal; or whether, as is proposed in the resolutions in the Board of Aldermen, the Water Rents shall be relinquished altogether, and our inhabitants permitted to take the water into their dwellings and places of business free of charge. The decision of these questions involves very serious consequences, and they are entitled to a careful and candid examination.

By recurring to the report of the Water Commissioners, submitted to the Common Council in 1835, and by the Common Council to the people at the Election in April of that year, it will appear that it was then intended to apply the Water Rents in the first instance to the interest. "When the project," say the Water Commissioners in the report, "shall be completed, the eventual receipts will more than pay the interest on the capital expended, and the annual cost of attending the works, and in due time leave a sur-

plus for the redemption of the debt that may be incurred."

The cost of the work was estimated in that report at \$5,512,236 72 ; but the Commissioners plainly intimated their opinion, that the duty of paying the whole of the principal might properly be devolved upon posterity, and the present generation exempted from any portion of the burthen beyond the payment of the interest. "A work of this nature," continues the same report, "is a boon to posterity of the first magnitude, and it is but reasonable and just, therefore, that as they are to reap the benefit of the project, and be enabled, as the population increases, and the income augments, to discharge the debt without inconvenience, the first cost of the work should remain a lien on those who succeed us. The only obligation," it adds, "on the present generation, constructing a work of this magnitude and importance, is, that they pay the interest of the debt incurred, leaving the principal to be provided for by those who come after them."

No attempt was made in the report to fix the time when the principal was to be finally extinguished ; nor was any calculation exhibited, or plan of finance prepared, that would indicate which of the successive generations embraced under the term "posterity" were to assume the burthen. The Legislature, however, by the law of May 2d, 1834, had in some degree fixed a limit within which the duty was to be discharged, by requiring that the time for redeeming the stock should not be less than ten nor more than fifty years.

The Common Council, however, by the law of May, 1835, which was their first act of fiscal legislation, after the electors had decided in favor of the work, in providing for an issue of

two and a half millions of stock, thought it proper, at the same time, to lay the foundation of a fund for extinguishing the principal, by enacting "that all the revenue to be received for water to be procured by the said work, and furnished to the inhabitants of the city, shall be especially appropriated as a Sinking Fund towards the redemption of said Water Stock." Similar pledges, and in similar terms, are contained in each of the subsequent laws of May 3, 1838, April 23d, 1840, and June 25, 1841; under which the successive issues of stock were made, amounting in the aggregate to nine and a half millions of dollars. The Legislature of the State, in authorizing the City Government to create the stock thus issued from time to time, also sanctioned and enforced the pledges given on the part of the city, in the law of 1835; for in every instance thereafter, the Legislature, in granting the necessary power to raise further amounts by loan, expressly enacted that all the provisions of the laws before passed, pledging the faith of the city, and providing a Sinking Fund for the redemption of the stock issued by virtue thereof, should be applicable to the stocks issued in pursuance of those subsequent acts of the Legislature. As a further manifestation of the understanding of the Legislature in this matter, they empowered the City Government, by the law passed May 26th, 1841, to raise by tax upon the property of the inhabitants, and situated therein, "such amount of money as shall be requisite to defray the interest on the Water Stock." The Aqueduct not having been completed and put in operation until the 4th of July last, no tax was laid until the present year to defray the interest.

The Croton Aqueduct Board are aware it may be contended, that in the laws containing the pledges above referred

to, the word "redemption" is to be construed as synonymous only with the words "payment of the interest and reimbursement of the principal": the phraseology employed in the State Constitution in pledging the Canal revenues for the payment of the Canal debt. But such is by no means a necessary or a fair construction, so far at least as the public creditor is concerned. For all rational purposes the "redemption" of the stock means its payment and extinguishment, and the Water Rents which are declared to be pledged for that purpose, "as a Sinking Fund," must, by all just intendment, be held and employed as a Sinking Fund,—the peculiar office of which, as the term denotes, is to sink, or lower, or reduce the amount of the principal, and not merely to prevent the increase or accumulation of the interest.

A fair construction of this pledge would, however, apply it only to the nett rents derived from the Aqueduct, and could not exclude the city government from the expenditure of a sufficient part of the gross revenue, to pay for the whole management of the Water Department, the repairs necessary to keep the works in good order, and the additions requisite to increase the annual income. The large outlay indispensable, annually, for these objects, would present of itself an insuperable objection in the present state of the city finances, to the proposition that the water should be free for each individual, to supply his dwelling, warehouse, or workshop, without cost for its use, or at a charge greatly reduced from the present prices. While those individuals only, whose interest or convenience might prompt them to take the water, would be relieved from the duty of paying a fair equivalent for its use, the total relinquishment of the rent, or a material reduction of the rates, would obviously lengthen the period of taxation, applicable to the whole community, which it is so

plainly the policy of the city to abridge. In either aspect, we should disregard that rapid augmentation of the Sinking Fund, to which the Water Rents, if preserved at their present moderate rates, are destined very largely to contribute. Upon the slow or the speedy progress of that fund towards its object, it wholly depends, whether the excess of general taxation in this city, over the amount its inhabitants may bear without inconvenience, shall be of longer or shorter duration. Nothing is more fallacious than the idea, often expressed, that equality would be secured in the use of water, by allowing each individual to carry it whither, and employ it where, and in what quantity, he pleases. Such a permission, besides that it would be irreconcilable with any salutary control by the public, over the great work they have erected, would at once cause the most palpable inequality; giving to each grade of wealth in the community its advantages over that next below it, and furnishing the man of business, to whom a large daily supply of water is part of his capital in trade, an aid from the public, withheld from his fellow-citizens engaged in other occupations. Positive equality in the matter, is evidently unattainable; but the nearest practicable approach to it, will be found in the system now partially in operation, and which will be fully carried into effect when the free hydrants shall be established. The completion of that system is only for a short time delayed by the necessity of a sufficient trial, during the present winter, of the several forms of hydrant proposed for use, before the city shall incur the large expenditure which their introduction will occasion. That system is the one to which the Corporation and the Electors of the city pledged themselves in 1835; and contemplates *payment* from all who have the water delivered in their houses, or employ it in their business,—and *exemption from payment*, on the part of the poor, and

of all others who may receive it from the free hydrants, "as a means of cleanliness, nourishment, and health."

The Croton Aqueduct Board cannot dismiss this part of the subject, without adding the remark, that when the pledge was given to the public creditor, of the proceeds of the Water Rents as a Sinking Fund for the redemption of his loan, it could not have been intended or received otherwise than as an honest assurance that those rents should be nearly, if not altogether, an equivalent for the use of the water. The performance should fulfil the promise. Before the pledge was offered, the Water Commissioners had presented to the Corporation, and to the Electors of the city, a tariff of rates for the use of the water, which, though differing in various particulars from that now in operation, being in some of its charges arithmetically lower, was nevertheless positively higher in others, and much exceeded it relatively throughout, when we take into consideration the great difference between the cost of the work as then estimated, and that which since has been actually incurred.

For a supply of water sufficient for all the wants of a family, and furnished in such abundance and purity as to supersede the necessity of private wells, and rain and filtering cisterns, the amount charged at the rates now established, is less than the sums which heretofore have been readily paid for a very stinted allowance of spring water, delivered daily at our doors. It is submitted, whether rates of charge not exceeding the limits announced by the city government, in dealing with the public creditor, can be materially diminished, without destroying or impairing the means of redemption solemnly appropriated for his security, and thus tarnishing the public faith. The pledge is equally violated by the man-

ifest evasion, as by the bold denial, or avowed disregard of the creditor's rights.

The amount of Water Rents, which will probably be realized under the present rates, cannot yet be computed with the certainty requisite to form the basis of a fiscal system. The water was introduced into the city on the 4th of July last, after most of our inhabitants had hired their present places of abode for the current year; and at a season when landlords were not disposed to incur the expense of introducing the water, until the expiration of the year. From the 3rd of October to the date of the present report, being a period of twelve weeks, during which the Croton Aqueduct Board have received the Water Rents, 939 permits have been issued, all expiring on the 1st of May next, yielding rents at the rate of \$16,635 for a full year. The amount actually received for these fractional portions of the year is \$9,542. If the number of applicants should maintain the same ratio, up to the 1st of May next, the rents for a full year would amount to \$72,000. It is to be expected that immediately before and after that period, the number of permits will be largely increased, so that the rents for the full year commencing May 1st, 1843, may probably reach \$150,000. The annual amount to be estimated beyond that time is necessarily conjectural, but it may reasonably be anticipated to reach, at the end of five or six years, the sum of four hundred thousand dollars. We must be prepared however to expect some delay in the general introduction of the water. The gross receipts from the Fairmount Water Works, at Philadelphia, (their rates being somewhat lower than ours), was \$90,531 in 1834; \$111,883 in 1837; and \$141,339 in 1841. The latter sum was paid by 21,528 water takers. The present population of that city is 228,991, shewing about one water-taker to every ten inhabitants. In the city of London,

with a population of 1,400,000 in the year 1828, there were 177,100 water-takers, being one to every eight inhabitants. At the ratio shown in Philadelphia, a population of 350,000 in our city, would furnish about 35,000 water-takers.

It will be necessary and proper, as before remarked, to deduct from the Water Rents the sums necessary for current repairs and superintendence, including the cost of further pipes, or any additional structures requisite for the improvement or extension of the work. In no event should the principal of the debt be increased beyond the twelve and a half millions, the first cost of the work.

If the facts above presented be correctly stated, it will follow that no part of the nett Water Rents will be applicable to the interest of the existing debt, but that their only office will be to aid in extinguishing the principal, and consequently that the interest, now amounting to \$665,000 annually, must be levied by taxation either on the general property of our inhabitants, or upon such portion of it, or such particular branches of their business, as ought in justice and good policy to bear it. And this brings us to the respective propositions introduced into the Boards of Aldermen and Assistant Aldermen, and now referred to the Croton Aqueduct Board.

In the Board of Assistant Aldermen it is proposed to levy an annual tax of 3 per cent. on the rents of all the buildings in the city; valuing those rents at \$9,750,000, on which 3 per cent. is \$292,500; and also a tax of one half of one per cent. on all the personal property in the city—valuing it at \$65,000,000—on which the one half of one per cent. is \$325,000.

In the Board of Aldermen it is proposed that the inhabitants of the city be permitted, at their own expense, to take the water into their dwellings, stores, and warehouses, free of charge: but that a Water Tax of one fourth of one per cent. be levied "on all goods, wares, and merchandize, sold within this city; also, on commissions arising from the negotiation and sale of all foreign exchange; also, on the cost of erection of all houses, and the building of ships or vessels; also, on all other manufacturing and mechanical productions; also, on the salaries, fees, or perquisites of all professions, when the same shall amount to seven hundred dollars."

From other sources suggestions have been made of the propriety of imposing a specific tax upon all the combustible property in the city, as being specifically benefitted by the increased protection against fire which the Aqueduct has thrown around it. Others have proposed to tax the Fire Insurance Companies on all the premiums received by them; while others have suggested that the city itself shall become the general insurer of all the combustible property within its limits.

The task is not easy, to select from these various and conflicting plans that which will best do justice to all our varied interests, and promote the permanent welfare of the city. Still more difficult would it be to apportion among the different divisions of property, by a pecuniary classification, the different degrees of benefit which the introduction of the Croton water has brought with it; and the more so, because those particular benefits are inseparably intermingled with the general benefit which the work has diffused throughout all our interests. Thus the preservation of the

general health: the improvement of morals by increased cleanliness and sobriety: the regularity and certainty of commercial affairs secured by protecting the community as a mass, against the general derangement of business produced by extensive conflagrations: the increased attractiveness of the city, by being rendered more comfortable, ornamental and desirable, as a place of business or abode:—all these enter as component parts into the aggregate amount of general benefit, the value of which, in dollars and cents, it is impracticable accurately to estimate or apportion.

It is not to be doubted, however, that the sum total of this general benefit, even now, and while the Aqueduct is only in the earliest stages of its usefulness, far exceeds in pecuniary value the interest on its cost; and the reflection is not only encouraging but highly gratifying, that while the burthen imposed by the work is either stationary or in a train of rapid diminution, its benefits are destined to increase for ages to come, with the expansion and development of the metropolis. The truth of this is strikingly manifest when we compare the present with the prospective benefit conferred upon those particular branches of property, which are protected by the Aqueduct from the hazards of fire. The combustible property in the city thus protected, may now be valued at one hundred and fifty millions of dollars—but within no very distant future, it must increase to four or five hundred millions, while the cost of the structure affording benefits so immense, and capable of such constant increase, will remain the same.

There are now in operation in this city twenty-eight Fire Insurance offices, besides several agencies of offices from other States. The Board have ascertained that in the year

ending on the first of May, 1842, the amount of premium paid at twenty-five of these offices, for insurance of property in this city, was \$860,000. The value of the property insured was about \$100,000,000. It is probable that fully one-third, if not one-half of the combustible property, moveable and immoveable, in this city, remains uninsured, though not the less protected by the Aqueduct against the hazard of fire. If one third be assumed as the amount, the present value of the combustible property may be taken at 150 millions, and the premium necessary, before the introduction of the Croton Water, to insure it, at 1,290,000 dollars.

From the best information the Board have been able to obtain, the rates of premium since the introduction of the water have been reduced on stores and merchandize about 20 cents on the hundred dollars, and on dwelling houses from 5 to 10 cents. It is probable that the rates on dwelling houses will be still further reduced. The amount of premium saved cannot be less than 25 per cent. on the amount previously paid, shewing a present annual saving, actually realized, equal to one quarter of the \$1,290,000 above stated, or \$322,500.

The question then arises, shall the owners of the property actually realizing this annual saving of \$322,500, be subjected to a specific tax on the very property benefitted yielding back a portion at least of that sum, or shall that property bear only its rateable portion of a general tax to be laid on all the property in the city, combustible and incombustible?

And first, as to buildings—the number of buildings in the

compact part of the city, is stated in the last annual report of the Comptroller at 33,079 ; the value of which, if taken at \$3000 each, would be \$99,237,000, or say one hundred millions. A specific tax of ten cents, for the amount saved in the insurance, on each hundred dollars of this sum, would yield but \$100,000 ; making it apparent that the proposition introduced into the Board of Assistant Aldermen, to impose a specific tax on these buildings of \$292,500 by levying 3 per cent. on the rent, would operate with undue severity, especially as these very buildings form a large component part of the real estate assessed at 176 millions, and, in that shape, already pay their full quota of the general tax.

And next, as to merchandize and other moveable property—the value of this description of property now insured, is not far from 60 millions of dollars, and the total value, including the portion left uninsured, may be one hundred millions. It is not probable that any scheme of assessment, however searching or inquisitorial, could detect more than that amount. It is true that a tax of 20 cents, for the amount saved in the insurance on each \$100 of that sum, would produce \$200,000 ; but the question arises whether in the present depression of our commerce and manufactures, the imposition of such a tax, striking directly at both those interests, and burthening, as it would, not only the merchandize in the warehouses of our merchants, but the stocks in trade in the work-shops of our mechanics and manufacturers, would be consistent with sound and enlightened policy ?

There is, moreover, a legal objection to the tax proposed, which must be disposed of before discussing its expediency. The constitution of the United States pro-

hibits the individual States from laying any imposts or duties on imports. The Supreme Court of the United States, in the year 1827, elaborately examined the effect of this prohibition upon a law passed by the State of Maryland, requiring importers of foreign merchandize in that State to pay a tax for a license for that purpose ; and in deciding upon its validity (*Brown vs. State of Maryland*, 12 *Wheat. Rep.*, 442) the Court declared that the right to import implied the right to sell, and that any impost or tax by a State on articles imported which had paid duties to the United States on the importation, before those articles should have been once sold and thus mixed up with the mass of property in the country, would be unconstitutional and void.—“ While the thing imported,” says Chief Justice Marshall in pronouncing the decision, “ remains the property of the importer in his warehouse, in the original form or package in which it was imported, a tax upon it is too plainly a duty upon imports to escape the prohibition in the constitution.”

The effect then of this prohibition would be to prevent the levying of a specific tax either for the Croton Water debt, or any other purpose, upon all that portion of the merchandize in question, consisting of foreign imports remaining in bulk, or original packages, in the hands of the importer, embracing, it is believed, at least one-third of the total amount ; while the burthen of the tax would fall exclusively upon the retail merchants or smaller traders, who might have purchased the remaining two-thirds, and thus have mixed it up in the general mass of the personal property of the city ; so that, in effect, the tax would be laid exclusively upon our own citizens, while the foreign importers or their agents, who are the very persons that the advocates of this measure particularly seek to reach, would escape altogether.

In respect to the other branch of the proposition in the Board of Assistant Aldermen, to lay a specific tax of one half of one per cent. on all personal property, it is to be observed that personal property, when found by the assessors, already pays the same rate of tax as that which is borne by real estate: to wit, 10 cents on the hundred dollars to the State, 20 cents to the city for the Water Debt, and 55 cents to the city for general purposes. There seems to be no good reason for imposing an additional burthen of 50 cents on this description of property alone, and so far as it might operate to drive monied men and monied capital from the city, it would be unwise and inexpedient.

The proposition "to levy a Water Tax of one-fourth of one per cent on the sales of all goods, wares, and merchandize sold within the city," has also been attentively considered; but it would seem to be equally open as a specific tax on the merchandize itself, to the constitutional difficulty above adverted to.

And even if this difficulty were removed, as some have proposed to do, by assuming the tax in question to be only an exercise of what are called "police powers," and therefore not within the intent and meaning of the Constitution,—yet the Croton Aqueduct Board, after duly weighing the advantages and disadvantages of the measure proposed, feel bound to declare their belief that any specific tax on merchandize or merchants, which would operate to burthen or discourage commerce, is of very doubtful expediency. They need not urge, what indeed must be apparent, that the trade of this commercial city supplies the very life-blood of its existence. The land on which it is built is comparatively worthless, except as a seat of commerce, and a place for traders. To this great and cardinal interest,

all others are necessarily subordinate. To foster commerce,—to encourage traders,—to afford them every necessary facility and protection,—to render our city, as a mart of trade, accessible, safe, cheap, and commodious,—has hitherto been our steady policy. With the interests and prosperity of our merchants, the interests and prosperity of our landholders are inseparably interwoven. Experience has taught us little, if we have not learned that real estate languishes when commerce declines. We cannot clog or obstruct this vital stream of our prosperity without paralyzing all our permanent interests. Our merchants have just passed through a calamitous period, and real estate has correspondingly suffered. Can it be wise at a moment like the present, just as the prospect dawns of a reviving commerce, to fetter it with a tax, novel in its character, inquisitorial in its details, vexatious in its collection, and, to say the least, of doubtful legality? The tax might possibly extract from merchandize and merchants \$200,000 annually, and lessen to that amount the general tax on the aggregate amount of real and personal property, but could not the owners of our 33,000 houses better afford to sustain alone the whole of that burthen, being but about six dollars on the average for each house, than to experience the diminution of rents which an embarrassed trade is sure to bring with it?

The same remarks apply with similar force to that part of the proposition which proposes a tax “on all manufacturing or mechanical productions.” By the recent census it is shown that 43,380 of our population are employed in “manufactures and trades.” They form a very valuable and desirable portion of our community, and it would be injudicious in the extreme, by a specific tax on the products of their industry, to induce them to transfer to other cities themselves and their families.

The proposition to tax "the cost of erection of all houses, and the building of ships and vessels," would appear to be liable to similar objections, as tending to impede and embarrass those particular branches of our mechanical industry; and inasmuch as the augmentation of the water revenues is principally to be occasioned by the increase of houses, it can hardly be good policy to discourage that increase by imposing additional burthens upon the cost of their erection.

The proposed tax on "all commissions on the negotiation and sale of foreign exchange," it is believed would be difficult to enforce, so as to arrive at any thing like equality—while the inquiries it would be necessary to prosecute, requiring a disclosure of the private affairs of all persons remitting monies to foreign countries, would probably be felt by our citizens as being vexatious and oppressive in the highest degree.

As to the proposed tax "on salaries, fees, and perquisites of all professions," it may be observed, generally, that no tax on particular offices, professions, callings, or trades, can be permanently popular, except as forming part of a general income tax—a measure which hardly seems called for by the present exigency.

In respect to the suggestion which has been made, that a tax should be laid on all Fire Insurance Offices for premiums received by them, it will be obvious that such a tax would drive the business of insurance wholly into the hands of foreign Insurance Companies beyond our jurisdiction, and consequently not amenable to our laws. The proposition that the city itself should become the general insu-

rer of all the combustible property within its limits, in the present state of public opinion, which calls rather for a diminution than an increase of the liabilities and of the business of the city government, is plainly inadmissible.

From the examination thus made of the various propositions and expedients for raising the interest of the Water Debt by specific taxes on particular branches of property or business, it appears that objections of greater or less force exist against them all ; while, on the other hand, it is certain that a general tax will take from the aggregate amount of property assessed no more than a just equivalent for the aggregate benefit it receives. It doubtless is true that particular portions of the property assessed may receive greater benefits than other portions from the introduction of the water, but the same remark would apply to many other heads of city expenditure, few of which could be found diffusing their benefits in more just proportion than the Croton Aqueduct throughout every portion of society, and every branch of business or property.

It is believed, however, that the general system of taxation now in force, and to the operation of which we are accustomed, might be improved by the adoption of efficient measures, which should bring within the reach of the assessors considerable amounts of personal property, that now escape taxation, not only for the Croton Water, but all other city purposes. The total amount of personal property assessed is but 61 millions of dollars, whereas it is known that the taxed capital of the monied incorporations alone, exclusive of their real estate and stocks not taxable, amounts to \$25,564,677, to wit :

Of the Banks.....	\$16,388,452
Fire Insurance Companies.....	4,535,214
Marine Insurance Companies.....	2,004,987
Trust Companies.....	2,631,424
	<hr/>
	\$25,564,677

And that there is due to individuals, on mortgage, at least forty, and more probably fifty millions, but say.....	36,000,000
	<hr/>

Making an aggregate of	\$61,564,677
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When it is seen that these items alone exceed the total amount of personal property assessed, and that they embrace no part of the shipping, State and city stocks, foreign bank stocks, capital employed in trade, and debts not on mortgage belonging to our citizens, and justly taxable under existing laws, it will be evident that a large amount of personal property, and probably equal in value to at least sixty-one millions, in addition, now escapes taxation, and contributes nothing to the expenses of the City Government. Any improvement in the present mode of assessment, which should bring the property thus escaping within the reach of the assessors, would annually extract from it not only \$170,800 for its share of the interest of the Water Debt, but \$335,500 in addition towards the general expenses of the city.

In conclusion then, the Croton Aqueduct Board, while entertaining the highest respect for the sources from which the resolutions referred to them have proceeded, nevertheless feel bound to report, that in their opinion the adoption of those resolutions would not be advisable, and they therefore

recommend that existing laws be left unaltered, except so far as may be required to render more efficient the present powers of the assessors; that the interest on the Water Debt be raised, as at present, by a general tax on all property, real and personal; and that the Water Rents, now pledged to the public creditor, be continued at moderate rates, and scrupulously applied, together with the proceeds of the public property not required for public use, to the redemption of the principal.

The Board are not unmindful, that the tax which the Aqueduct thus renders necessary, may be viewed with apprehension by many of their fellow citizens, and especially by some of the landholders of our city, but it is confidently believed that these apprehensions will be dispelled or lessened, when the amount of benefits received shall be compared with that of the burthens imposed. It is not to be denied that for the first few years the tax of twenty-eight cents on the hundred dollars in addition to our other taxes, may be felt to be inconvenient, but that ratio will steadily decline with the gradual reduction of the principal of the debt, and will be further lessened by the increase of the city, by which the burthen will be more widely distributed. The tax, even if it were retained at this its highest rate, for ten years to come, would require a contribution, for the whole period, amounting in the aggregate to less than three per cent.—and who can doubt but that, within that period, the effects of the Aqueduct in promoting the growth and prosperity of the city, will add more than three per cent. to the value of real estate? The revenues of the work for the first few years, small and but moderately increasing, will ere long yield an amount nearly if not fully adequate to all the wants of the city treasury. Little could be gained in

the way of present relief, by relinquishing those revenues, but much might be lost in our future resources. The work, if properly cherished, may become a perpetual fountain of wealth to the city, affording a revenue as far beyond our present estimates, as the income of the Erie Canal has exceeded the anticipations of its early projectors.

By pursuing then a steady and careful policy, we shall soon lighten materially the present burden of taxation, keep it in continuous and rapid diminution, and effect an extinguishment of the whole debt, even before the times fixed for its redemption. The Water Rents, freed at that period from the pledge which now guarantees their specific appropriation, will then amply contribute to such purposes of public utility as the expanding interests of the community may require ; to the payment, in aid of very moderate taxation, of the general expenses of the city ; or to the advancement of objects which experience and honorable competition may suggest, as requisite to secure its enduring superiority in industry, enterprise, population, and wealth.

JOHN L. LAWRENCE,
J. PHILLIPS PHŒNIX,
M. VAN SCHAICK,
C. W. LAWRENCE,
SAMUEL B. RUGGLES.

New York, Dec. 27, 1842.

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